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SBA

Business Basics

Managing Retail Salespeople

A Self-Instructional Booklet
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KEEP THIS GUIDE SHEET -- FOR INSTRUCTOR'S USE ONLY

Managing Retail Salespeople
Instructor's Guide Sheet

This booklet contains:

1. Salespeople and the Store's Sales, Profit, and Image
2. Supervising (Policies and Procedures)
3. Productivity
4. Recruiting and Selecting Top Producers
5. Job Descriptions
6. Training
7. Performance Objectives
8. Motivate for Extra Effort
9. Performance Improvement
10. Compensation Plans
11. Interviewing
12. Trainee Participation
13. Direct Selling Feature Benefits
14. Customer Rapport
15. Suggestion Selling
16. Techniques of Motivation
17. Evaluating a Compensation Plan

Supplementary Instruction
Assist the Client:

1. Prepare job description for retail salespeople.

2. Develop a preliminary set of performance objectives for sales personnel.

3. Review the Client's recruitment practices.

4. Conduct a role-play situation of a typical employment interview.

5. Conduct a role-play exercise to demonstrate selling techniques such as the feature-benefit relationship and suggestion selling.

6. Conduct a role-play exercise in which the client is the trainer to illustrate how to secure trainee involvement and needed feedback to evaluate and direct the training effort.

7. Review the client's employee compensation plan and make suggestions for improvement.

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INTRODUCTION

Key Element of Success

Ever tapped your fingers on a counter waiting for a salesperson or done a slow burn when a salesperson walked away from you? What was your impression of the store? How did you feel about buying there again? For all your displeasure with the salesperson, it was the store you blamed. Your customers will blame you too if your salespeople are offensive or not doing their jobs. You will be the loser.

Salespeople's Efforts

To the customer, the salesperson often is the business. He or she is the only person with whom the customer has contact. It is the salesperson who encourages the customer to buy or, through a hostile or indifferent attitude, drives the customer away -- forever.

Building Sales and Profit

There are many ways that your salespeople can build your business for greater sales and profit. Some of these are as follows:

- Sell skillfully to realize maximum sales and profit from each customer attracted to your store.
- Provide customers with useful selling suggestions that will build sales and improve customer satisfaction.
- Assure that customers' needs are met so that returns are held to a minimum.
- Develop a loyal following of customers who will return to your store and will send their friends.
- Follow store policies and procedures so that losses through billing oversights, failure to secure credit approvals, and acceptance of bad checks are held to a minimum.

Top Producers

In retailing, the top producers far outsell the average. The more top producers you have, the more profitable you will be. As an owner, you cannot expect your salespeople to

become top producers by accident. There is no magic wand you can wave or button you can push to make this happen. However, there are a number of positive actions you can take to attract people with potential and, once hired, develop that potential so that maximum performance is achieved.

Booklet Objectives

This booklet has been developed to help you attract, develop, and retain successful salespeople. In this booklet, you will learn how to do the following:

- Recruit and select people with potential.
- Prepare job descriptions so that your employees will know exactly what is expected of them.
- Train salespeople so that they will learn proven techniques for building sales.
- Establish a system of management by objectives that will give direction to your employees' efforts and set goals for performance.
- Motivate employees so that they will be more willing to exert the extra effort needed for success.
- Supervise employees through day-to-day observations and constructive suggestions.
- Establish a compensation plan that will help you compete in employee recruitment, reward outstanding performance, and retain successful salespeople.

HIRING RETAIL SALESPEOPLE

Critical Point

A most critical point in the management of retail salespeople is the initial decision to hire. Some hiring mistakes can be difficult to correct. The person who does an unsatisfactory job because of incompetence or disinterest can jeopardize the morale of the organization.

Obvious hiring mistakes are easily corrected. If employees are dishonest, openly offensive to customers, and regular violators of store regulations who ignore your warnings to straighten out, you fire them. In so doing, you restore the morale of those other employees who have been pulling the load wondering why "so-and-so can get away with anything."

A more difficult problem is the careless or indifferent employee. Neither guilty of any serious offenses nor deserving of praise for effective performance, this person simply puts in his or her time, contributing little or nothing to the store's success.

Problem Avoidance

Both of these problems are more easily avoided than corrected. Correcting personnel problems takes time. Time to identify the problem. Time to take action. And time means money. Sales are lost, loyal customers are lost, and unnecessary expenses are incurred. Even if the problem is identified fairly soon, and the person is promptly terminated, you are still faced with the cost of hiring a replacement -- sometimes an expensive process.

Turnover Costs

In a small business, the cost of employee turnover cannot be measured in dollars alone. Turnover also demands a substantial amount of the owner's time in recruiting, interviewing, selecting, training, and developing a replacement. Repeating this process several times yearly to fill a single position will leave the owner with little time left to attend to other important aspects of the business. All of these problems -- unnecessary costs, lost sales revenue, and lost time -- are best prevented when the hiring decision is made.

Job Determination

The hiring decision begins with a precise determination of the job to be filled. Hiring only to meet specific needs eliminates unnecessary turnover costs and the threat to the morale of other employees when a person with an ill-defined position is apparently pulling less than a reasonable share of the load.

Large businesses can afford to hire apparently talented people in the anticipation that they will find a spot for them in the organization and develop their managerial talents. Few, if any, small businesses can afford this luxury. When a person is hired by a small business, there must be a specific job for that person to fill. The job must be necessary and productive. Unless a specific opening exists, any decision to hire should be postponed.

Recruitment

After deciding upon a specific position to be filled, you should recruit candidates through all reasonable channels such as the following:

- Present employees. People now working for you may know of others who would be interested in the job and able to perform up to your expectations. Since your present employees know your expectations, and the persons they recommend, their judgment may be helpful in the hiring decision. Since they also feel some responsibility for the hiring decision, they can be helpful in the person's development.

- Classified advertising. Perhaps the most common source of recruitment. An advertisement in the classified section of your local newspaper that accurately describes the job can attract a host of candidates. Applications can then be screened and reviewed, with promising applicants granted an interview.

- Employment agencies. Local employment agencies usually have candidates for retail selling positions. Although the cost is sometimes high, the pre-screening performed by a reputable agency will often remove a substantial managerial burden to justify the agency's fee.

. Government agencies. Local unemployment offices, welfare offices, and job training programs can . often provide experienced or trained personnel to fill retail sales positions.

NOTE: Cover the correct answers and write your answers on a separate piece of paper (or in the book). Check your answers and review weak areas. Do all the exercises the same way.

1. The first step in hiring a retail salesperson is to:

   a. determine the need
   b. advertise for applicants
   c. screen candidates

---

   a. determine the need

---

2. Identify three problems associated with high turnover:

   1.
   2.
   3.

---

   expense
   lost sales
   lost time for owner

---

3. Which of the following personnel problems is often more difficult to resolve?

   a. the obvious offender
   b. the careless, indifferent performer

---

   b. the careless, indifferent performer

READEX FICHE

4. Small businesses should try to hire people:

   a. who may not be needed immediately but might develop into qualified managers

   b. only to fill a specific need

---

   b. only to fill a specific need

---

5. Identify three common channels for locating employment candidates:

   1.
   2.
   3.

---

   present employees
   classified advertising
   employment agencies
   government agencies
   (ANY THREE ARE CORRECT)

---

6. Identify three types of government agencies or programs that can provide candidates for retail selling positions:

   1.
   2.
   3.

---

   unemployment offices
   welfare offices
   job training programs

---

7. Which of the following is more important to the hiring decision?

   a. the educational level that the applicant has achieved
   b. the amount of education that is relevant to the job

---

   b. the amount of education that is relevant to the job

---

8. Before a person is hired, information on the application should be _____.

---

   verified

---

9. What is the most important drawback to information gathered from references listed on the employment application?

   The applicant is likely to list only those references that are almost certain to be favorable.

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* * * * *

Personal Interview

In hiring people for retail selling positions, a personal interview is particularly important. The job that they are expected to fill involves dealing with people in situations where first impressions are critical. Therefore, the impression that they make with the interviewer and their ability to communicate in the interview is often a meaningful indicator of their ability to perform on the job later.

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Interviewing Guidelines

When conducting an interview, try to use the following guidelines:

- Let the person talk. As somebody once said, "When you're talking, you're not learning anything." You want to learn about the person. You will only learn by listening. As you listen to the person talk, consider how you would react as a customer. Do you find the person persuasive, pleasant, informative, and cooperative? Or do you find the person disinterested, arrogant, or boastful? Chances are, your customers' reactions will be similar to your own.

- Ask about previous work experiences. Find out if they were satisfactory or unsatisfactory. What are the person's reasons for leaving the prior job? If a person left several jobs because of personality differences with the employer, this probably indicates an unfavorable attitude that will only be perpetuated. Perhaps the cause of the personality differences was the employee, not the employer. Ask the question, "How do you plan to correct this problem of personality clashes that seems to develop on every job?"

- Ask about educational experience. First, determine the applicant's relevant education or training. Even if no formal education is relevant, the person's ability and willingness to learn might indicate how well he will learn to perform the job you wish to fill.

- Describe the job in as much detail as is reasonably possible. Give descriptions of typical situations that might arise and ask the applicant how he or she would handle it. "What would you say to a customer with a complaint?", "What color blouse would you recommend to complement a red plaid skirt?" You shouldn't expect responses to be as expert as your own, but training could make them so. Don't be discouraged or discouraging. Offer some praise such as, "That's a good way to go about it. If we hire you, we can teach you several other ways to handle situations such as that."

  A detailed description lets the person know your expectations from the earliest stage. It also lets the person make a realistic personal judgment as to his or her ability to fill the job.

- Differentiate between your requirements and the ordinary retail selling position. You need more than an order-taker. You expect the person to build sales, provide customer service, and project and protect your image.

- Discuss the plusses and the minuses. No job is without its minuses. If they are known initially, they are less likely to become obstacles later. If the person is expected to work nights, say so. If the person is expected to work week ends, say so. If the person is expected to work holidays, say so. This can prevent many misunderstandings later.

- Explain the compensation plan. What is the salary? What fringe benefits are offered? What holidays are allowed? What is the vacation policy?

- Weigh all factors in reaching a decision. Of all the factors mentioned above, no single one is overriding. Perhaps the most important characteristics to look for are common sense, an ability to communicate with people, and a sense of personal responsibility. Only your personal judgment will tell you whether or not the applicant has these characteristics.

Product Knowledge

Relatively few retail selling jobs require the beginner to have a high level of product knowledge. Naturally, there are exceptions, but in general, any necessary product knowledge can be taught easily. Similarly, selling skills can be taught to those with no previous selling experience. In fact, many successful retailers prefer to hire people without previous experience because they find it easier to develop skills in the untrained than to correct poor habits in the more experienced. They prefer that employees learn to sell using the store's techniques, not those they may have learned elsewhere.

* * * * *

1. Why is the interview particularly important in hiring retail sales personnel?

It gives you an indication of the applicant's ability to communicate.

---

2. Why is the first impression an applicant makes particularly important in hiring retail sales personnel?

It gives you an indication of the first impression the applicant will make on customers.

---

3. Throughout the interview, you should (TALK/LISTEN) as much as possible.

LISTEN

---

4. Are a person's reasons for leaving previous jobs important? (YES/NO)

YES

---

5. An applicant states that, "I left X Company because the job was a hassle and I left Y Company because the boss was unreal." You should:

   a. accept the applicant's reasons as satisfactory

   b. say that the applicant shouldn't expect to find the same type of situation in your business

   c. ask how the applicant plans to avoid encountering the same problems in future jobs

c. ask how the applicant plans to avoid encountering the same problems in future jobs

---

6. An applicant has no relevant education. Why would the education level that the applicant has attained be important to you?

   a. More educated people make better employees.

   b. It could indicate the applicant's ability and willingness to learn.

---

   b. It could indicate the applicant's ability and willingness to learn.

---

7. Your description of the job should be as (BRIEF/THOROUGH) as possible.

   THOROUGH

---

8. What advantage could be gained from a detailed job description if the person is hired?

   Avoid misunderstandings about expectations.

---

9. You should avoid mentioning negative aspects of the job. (TRUE/FALSE)

   FALSE

---

10. Which of the following are usually the most important characteristics to look for in an employment applicant?

    a. education and experience
    b. common sense, responsibility, and communication skills
    c. knowledge of your product

---

    b. common sense, responsibility, and communication skills

---

* * * * *

JOB SPECIFICATIONS

Provide Immediately

When a person is hired, an important first step is to present the new employee with a written job description clearly indicating your expectations and identifying any persons to whom the new employee is responsible.

Too often, retail salespeople are hired with little or no understanding of the owner's expectations. They are advised to "ring up all sales, be polite, and keep the area clean. If you have any questions, just ask."

Frequently, the new employee will not even know what questions to ask. Eventually, all employees have questions as to the owner's expectations. These questions may be spoken or unspoken, but nevertheless the questions exist. Frequently, these questions can be answered through the written job description. The use of a written job description offers several advantages as follows:

- Represents an informal "contract" between employer and employee, committing both parties to its provisions.

- Provides a disciplined atmosphere for employee supervision and performance review, eliminating the customary pleas of ignorance concerning responsibility.

- Reduces the chances of misunderstandings between employer and employee. The person with little understanding of what is expected on the job has little chance of fulfilling it. As a result, both owner and employee soon become dissatisfied. The owner is dissatisfied because the salesperson is not living up to expectations. The salesperson is dissatisfied because of inability to understand why the owner is dissatisfied. Dissatisfaction is usually obvious; the cause of it is often elusive. Unless the cause is known, it cannot be corrected.

Typical Job Description

A typical retail selling job description appears on the following pages. This description, prepared for a person selling power tools in a home supply center, clearly describes the person's authority and responsibilities for

product knowledge, selling skills, customer service, store policy, sales, and profit.

Performance Evaluation

Such a description assists the owner and the employee in evaluating performance from time to time. It provides a check list so that all responsibilities can be reviewed and the need for corrective action can be identified. The employer and the employee can meet to determine those areas where the employee is living up to expectations, those where improvement is in order, and how this improvement will be achieved.

JOB DESCRIPTION

RETAIL SALES - HOME POWER TOOLS

Function

. Assist customers in the purchase of power tools.

Responsibilities and Authority

. Product Knowledge

.. Have working knowledge of product line.

.. Be familiar with use and application of various power tools in order to provide reasonable technical assistance for customers.

.. Be reasonably familiar with competitive products in order to point out advantages of our line.

. Selling Skills

.. Be able to present features of various power tools in terms of customer benefits.

.. Close sales quickly.

.. Suggest related sales such as bits with drills, blades with saws, safety glasses with all tools, etc.

.. Upgrade customer's purchase when appropriate.

. Customer Service

.. Explain warranty requirements to customers.

.. Assist customers in forwarding tools for repair.

.. Advise customers of tool maintenance and operation tips.

.. Advise customers of availability of any tools that are out of stock; follow up with telephone call or card when available.

.. Explain credit policies to customers.

. Store Policies

.. Be courteous and cordial with all customers at all times.

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.. Refer all complaints to the manager, unless they can be handled to the customer's satisfaction immediately.

.. Have all customers' checks approved by manager before acceptance.

.. Secure bank authorization on all credit card purchases over $25.00.

.. Record all sales, showing amount, department number, manufacturer, and product code.

.. Collect sales tax on all sales.

.. Refer all credit requests, including layaway and budget plans, to manager.

.. Approve merchandise exchanges up to $10.00.

.. Accept merchandise returns, whether for credit or exchange, only if original packing is available and undamaged.

.. Notify manager of credit requests so that credit authorization can be signed by manager in the customer's presence.

.. Total sales daily, recording cash receipts, credit memos, and charge slips separately. Reconcile cash balance.

.. Maintain department in a neat and orderly fashion.

.. Notify manager of need for additional display stock.

.. Conform with all provisions such as appearance, punctuality, working hours, etc., as described in the store's general conditions of employment.

.. Read and understand all memos describing changes in store policy.

. Sales and Profit

.. Meet with store manager to establish goals for sales and profit.

.. Review department's performance with manager each month to develop recommendations for sales and profit improvement.

. Reports to

.. Owner

* * * * *

1. What is the primary advantage of preparing the job description in writing?

Avoid misunderstandings.

---

2. When should the job description be given to the person?

   a. immediately upon being hired
   b. after a suitable orientation period
   c. the first time a problem arises

---

a. immediately upon being hired

---

3. The job description should include specific statements of the person's authority. (TRUE/FALSE)

TRUE

---

4. All employees have questions about their jobs, whether or not they ask them. (TRUE/FALSE)

TRUE

---

5. The employee accepts a bad check for $100. Could a written job description have prevented this? (YES/NO)

YES

---

6. Dissatisfaction is usually apparent. (TRUE/FALSE)

TRUE

---

7. The cause of dissatisfaction is always apparent. (TRUE/FALSE)

FALSE

---

8. The written job description should be considered as:

   a. an internal "contract" between employer and employee
   b. an academic exercise with no value in the real world

---

   a. an internal "contract" between employer and employee

---

* * * * *

DEVELOPING RETAIL SALES SKILLS

Productivity

Ultimately, the value of any employee is measured by the employee's productivity. How many sales dollars did he or she produce? Did they stick? Or did they lead to an extraordinarily high percentage of returns, credit losses, or dissatisfied customers?

Productivity can vary widely from one employee to another. A top producer will often generate two or three times the sales of the average producer. The top producer will develop a loyal following of customers. People who always buy their suits from Sal because he knows what looks good on them. People who always buy wallpaper from Mildred because her recommendations have always been proven current. Best of all, this loyal following sends their friends!

Developing Top Producers

To become a top producer, a person must get to know every aspect of the job thoroughly. This can only be done through development of skills.

The New Employee

The time to begin an employee's skills development process is immediately upon hiring. Beginning training immediately has the following advantages:

- Achieves a reasonable level of employee productivity in the shortest possible time.
- Avoids unnecessary expenses and lost sales.
- Takes advantage of the new employee's natural interest in the job and willingness to learn about it.

Training vs. Education

Training is often confused with education. Therefore, it is often rejected by people whose background includes unsatisfactory educational experiences. In training, the traditional academic atmosphere of teacher, classroom, library, laboratory, and homework have little application because the objectives of education and training are totally different. The objective of education is to <u>expand the person's knowledge</u>. The objective of training is to <u>make the person able to perform specific tasks</u>. Knowledge may provide a background

for training, but the ability to apply that knowledge is the goal of training.

An educator would be satisfied with the student who understands and can explain the motivations of a consumer. The trainer wants the person to be able to use that knowledge in a selling situation, not just on a written examination.

* * * * *

1. An employee's value to your business is best measured by his or her _____.

---

productivity

---

2. Top producers are developed through _____.

---

training

---

3. Training of new employees should begin immediately so that they:

   a. are kept busy
   b. become productive quickly

---

b. become productive quickly

---

4. Which of the following are accomplished by prompt, effective training of new employees?

   a. lost sales are reduced
   b. unnecessary costs are avoided
   c. both of the above

---

c. both of the above

---

5. An employee is most likely to be receptive to training:

   a. when first hired
   b. after an orientation period of several weeks
   c. after gaining some on-the-job experience

---

   a. when first hired

---

6. Training and education are the same thing. (TRUE/FALSE)

   FALSE

---

7. The trainer's ultimate goal is to expand the trainee's knowledge. (TRUE/FALSE)

   FALSE

---

8. The trainer's ultimate goal is to teach people to apply knowledge so that they can perform specific tasks. (TRUE/FALSE)

   TRUE

---

9. Education teaches people to think. Training teaches people to do. (TRUE/FALSE)

   TRUE

---

* * * * *

Retail Training

In retailing, training generally involves development of the following:

- Knowledge of store policies and procedures including cash register operation, credit approvals, and customer returns.

- Knowledge of the product that the person is expected to sell.

- Selling skills to build sales and profit.

Training Techniques

Most training in small retail operations involves "one-to-one" training. You, as the owner, training a single employee. Ordinarily, people are hired one at a time so that there is little opportunity for training in a classroom setting. To some extent, individual training can be supplemented by books and publications that are available for retail sales training. In other cases, courses sponsored by local community colleges or distributive education associations can be helpful in the development of selling skills.

Criteria for Successful Training

Regardless of the training method that you use for your personnel, there are two key elements for success. These are as follows:

- Trainee participation. The training process should directly involve the trainee. Asking the trainee to read a book or listen to you talk has little or no value. Few can absorb it. The passive role of reader or listener is seldom helpful in understanding and remembering. Reading a book or hearing a speech is fine for entertainment or intellectual stimulation, but these activities are seldom effective in a training environment.

  People learn by doing things. When you teach new sales personnel how to prepare an invoice or credit memo, it is not enough to tell them how or show them how. It is far more important to have them do it.

- Feedback. Feedback is what you learn by testing the employee's understanding of the facts that you are teaching. It permits you to measure the employee's

progress at each step. Through feedback, you can recognize problems when they arise. Through early recognition of misunderstandings, you can correct them as soon as possible so that training can progress.

Feedback helps you direct your training efforts since you know those things that give the employee particular difficulty, such as arithmetic or trade terminology. In the remainder of your training effort, you can then be particularly careful and painstaking in teaching anything that involves trade terminology or arithmetic skills.

* * * * *

1. Identify the three areas in which retail salespeople must be trained:

   1.
   2.
   3.

---

   store policies and procedures
   product knowledge
   selling skills

---

2. When training an employee, you should do most of the talking. (TRUE/FALSE)

   FALSE

---

3. People learn best by:

   a. listening
   b. reading
   c. doing

---

   c. doing

---

4. If you show an employee how to ring up a sale on the cash register, you should:

   a. assume that the employee knows how to do it
   b. have the employee do it

---

   b. have the employee do it

---

5. The two key criteria for a successful training effort are:

   1.
   2.

---

   trainee involvement
   feedback

---

6. The employee's answers to questions that you ask are considered _____.

---

   feedback

---

7. In a lecture, does the lecturer get any significant feedback from the students? (YES/NO)

   NO

---

8. How does feedback affect your presentation of materials to the employee?

It helps you identify material that should be reviewed and areas that require special attention.

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* * * * *

Teaching selling skills consists of the three following steps:

- Customer communications. Developing a courteous approach to greeting customers and discussing their buying needs. This permits the salesperson to assist customers in their product selection and describe products in terms that show how they fulfill the customers' buying needs.

- Feature-benefit relationship. Understanding the reasons why your customers buy, relating your products or services to those reasons, and describing your products or services to your customers accordingly.

- Suggestion selling. Using customers' original purchase requests to develop suggestions for related or additional sales in which your customers might be interested.

Customer Relations

Customer relations is the foundation of a successful selling effort, not simply because a courteous approach to selling is "nice," but because it can build sales and profit. In small businesses, it is particularly important because the customers of small retailers generally expect more personal service than they find in a major department or discount store. The personal service could be advice on the color, quality, or use of certain products. Or it might be just a friendly greeting and the confidence that comes with knowing that they are buying from people who are interested in them and their business.

A courteous greeting establishes rapport between the salesperson and the customer. The traditional "May I help you?" is self-defeating. Nine times out of ten, the answer is "No, thanks, just looking." A better approach is to use a simple, common greeting such as "Good morning." Or a comment on the merchandise that the customer is examining: "Shetland sweaters are very popular this season." Or a question about the customer's purchase: "Do you want something

for yourself or for a gift?" Such comments will usually prompt a positive response from the customer. In general, they are far more effective than questions that can only be answered "Yes" or "No." A greeting such as "Good morning. What can I do for you?" is far more productive than "May I help you?" Greetings should be the beginning of conversations, not the end.

The salesperson should try to know as much about the customer's buying interest as possible. This is done by asking questions such as:

. "Are you looking for a fall or a winter coat?"

. "How long has your daughter been playing tennis?"

. "How often do you need a power saw?"

The answers to these questions will help the salesperson direct the customer to the right product -- perhaps the winter coat, the expert model tennis racket, or the most durable saw. The salesperson will be performing a service for the customer by matching the customer's needs to the right product and will be increasing the chances of closing the sale.

As in the hiring interview, the most effective questions are those that cannot be answered "Yes" or "No." Instead, the salesperson should try to use open-ended questions that require a more complete answer. These are usually questions that begin with "Why," "What," "How," or offer a choice for the customer to make.

Even an apparently negative response can be useful. The customer who likes the style of a skirt but dislikes the color can be shown another skirt in a color she may prefer. The customer who objects to the price of an appliance can be shown a lower priced model, or can be shown how the particular appliance justifies the apparently high price. Unless the salesperson is aware of the customer's objections, nothing can be done to overcome them.

Salespeople are responsible for selling products and services. Customers have no responsibility to buy them. It is up to the salesperson to find out what the customer wants and match a product or service to those wants.

* * * * *

1. The greeting, "May I help you?" should be used:

   a. with all customers
   b. only as a last resort

---

   b. only as a last resort

---

2. Why is a greeting such as, "Good afternoon. What can I do for you?" preferred?

   It cannot be intelligently answered "Yes" or "No."

---

3. Why should the salesperson ask questions?

   To discover the customer's buying interests.

---

4. The salesperson should try to ask questions that (CAN/CANNOT) be answered "Yes" or "No."

   CANNOT

---

5. A customer's objection should be considered:

   a. the death of a sale
   b. a source of information about the customer's interests

---

   b. a source of information about the customer's interests

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6. Customers should be able to make up their own minds. The salesperson should not have to do it for them. (TRUE/FALSE)

FALSE (Unless you are in the unusual but fortunate position where your customers need your business more than you need them.)

---

* * * * *

Feature-Benefit Relationship

Whenever a salesperson describes the product or service to a customer, it should be described in terms of the "feature-benefit" relationship. Features and benefits are defined as follows:

- A feature is any tangible or intangible characteristic of a product or service.
- A benefit is the customer's basic buying motive that is fulfilled by the feature.

For example, a salesperson says, "These all-leather hiking boots have waterproof seams. They are our highest priced line, but the leather will last a long time, look good, and keep you dry even on wet trails." The salesperson mentioned two features, "all leather" and "waterproof seams." The benefits that the owner can expect to derive from these features were also mentioned as follows:

- "last a long time" -- Although they are higher priced, they represent value because they won't have to be replaced frequently.
- "look good" -- People want things that they wear to look good.
- "keep you dry" -- People are naturally interested in comfort and in preserving their health.

People's buying motives vary widely. In fact, two people buying the same product might be looking for altogether different benefits. One man buys an expensive suit because of the status it confers upon him. Another man buys the same suit because its superior tailoring will make it more

durable and long-lasting. A third buys it because he likes the styling.

The following are some typical benefits that people seek from the things they buy:

- Safety. The desire to protect their lives and property.
- Economy. Not just in the initial purchase price but in long-run savings through less frequent replacement or, in the case of certain products, lower maintenance and operating costs.
- Status. People buy things to be recognized. The woman buying an evening dress may consider the designer's name all-important. A 12-year-old boy might consider the brand of blue jeans or the autograph on a baseball bat to be equally important.
- Health. People buy exercise equipment, athletic equipment, and outerwear because they wish to preserve their health.
- Pleasure. People attend theatres, go to athletic events, eat at restaurants, and buy books and objects of art because they expect to derive personal pleasure from these pursuits.
- Convenience. People buy many things to make the routine chores of life easier. For example, the cook buys a cake mix because it is far more convenient than mixing the individual basic ingredients.

The list could go on indefinitely. The important question to consider is the customer benefits that are provided by the goods or services that you sell. Knowing these benefits, salespeople can describe your products to customers in terms of the benefits that your customers can derive from them. Relatively few customers are interested in the technical or design details of a product. The customer is primarily interested in what the product will do for him or her. The principal reason for a salesperson to describe features of a product or service is to prove the benefits that the person can expect from it. For example, a salesperson might describe insulating material to a customer as follows:

"This insulating material creates a thermal barrier."

Impressive words, perhaps, but the statement tells the customer little or nothing about the reasons for buying.

Another salesperson might describe the same product as follows:

> "This insulation will reduce your energy costs while keeping your house warm and quiet."

The second statement is more effective because it describes the benefits that the buyer can expect:

- Economy: "... reduce your energy costs ..."
- Comfort: "... keeping your house warm and quiet."

* * * * *

1. A characteristic of a product or service is called a (FEATURE/BENEFIT).

FEATURE

---

2. A basic buying motive that a product, or a feature of the product, fulfills is called a _____.

---

benefit

---

3. Customers are primarily interested in:

   a. benefits
   b. product features

---

a. benefits

---

4. A feature may be tangible or intangible. (TRUE/FALSE)

TRUE

---

5. A warranty would be an example of:

   a. a tangible feature
   b. an intangible feature

---

   b. an intangible feature

---

6. Products and product features should always be described in terms of the customer _____ that they provide.

---

   benefits

---

7. On the list below, identify those words that describe benefits:

   a. safety
   b. energy
   c. economy
   d. light weight

---

   a. safety
   c. economy

---

8. Which of the following is the better statement about a feature?

   a. The upholstery fabric is 100% vinyl.
   b. The 100% vinyl upholstery is durable and easy to clean.

---

   b. The 100% vinyl upholstery is durable and easy to clean.

---

9. Why is statement b. in Question 8 the better of the two?

It explains the product feature in terms of customer benefits.

---

* * * * *

Suggestion Selling

In suggestion selling, the salesperson tries to build upon the customer's initial request in order to sell additional or related merchandise. For example, the salesperson might suggest that a woman buy two blouses to take advantage of a week end special. If a man buys a dress shirt, the salesperson should suggest a complementary tie. With a tablecloth, a salesperson might suggest napkins that go well with it. With a stereo receiver, a skilled salesperson could suggest a pair of speakers matched to the output of the receiver.

The opportunities for suggestion selling are endless. Frequently, the benefit that a customer might derive from one product could be used to develop suggestions for others. Young parents buying one safety product for a baby would be interested in seeing others. Or the man who buys a designer necktie for status reasons could be persuaded to buy a belt, shirt, or eyeglass frames from the same designer.

Even a "no sale" or a return can become a sales opportunity through suggestion selling. The customer who is looking for a shirt to buy as a gift may not find the right shirt but could be persuaded to buy something else, perhaps a necktie or a sweater. The man who returns a raincoat because it doesn't fit properly still needs a raincoat and could be sold one if the salesperson takes advantage of the opportunity for a suggestion sale.

* * * * *

1. Building upon a customer's initial request to develop additional sales is called _____ selling.

---

suggestion

---

2. If a woman bought leather fashion boots, which of the following is probably the most reasonable suggestion for a related sale?

   a. a matching handbag
   b. a hat
   c. a blouse

---

a. a matching handbag

---

3. A man buys one pair of socks on sale. The salesperson probably should suggest that he buy _____ pairs to take advantage of the savings.

---

two (or more)

---

4. Suggestion selling can be used to develop sales from "_____-sales."

"no-sales"

---

5. A merchandise return should be considered:

   a. a lost sale
   b. an opportunity for a suggestion sale

---

b. an opportunity for a suggestion sale

---

* * * * *

Involvement and Feedback

When training people in sales skills, it is relatively easy to get their involvement and the feedback you need to evaluate their progress so that you can shape your training approach. Instead of telling salespeople how you would sell a certain product, ask them how they would do it, and what they would say to a customer.

After you have heard their presentation, explain any other features you would have mentioned and any other benefits you might consider important. Then let the person try again, perhaps reviewing the basic technique of features and benefits if necessary.

Similarly, you can list a number of products that your store offers and have the salesperson write down a related product that he or she would suggest to every customer. In so doing, you will be gaining the trainee's active involvement and secure necessary feedback so that you can see where review or correction is necessary. You will also learn of the employee's strengths and weaknesses so that you can perform your supervisory job more effectively.

MANAGEMENT BY OBJECTIVES

Familiar Concept

The general concept of management by objectives is familiar to most people. Many successful people tend to set a series of successive objectives for their lives. A young executive may have a long-term goal of becoming treasurer of a corporation. This objective is broken down into a series of intermediate objectives such as achieving certain salary levels or reaching different positions in the organization by specified ages. Similarly, the owner of a neighborhood dry cleaning shop may have an ultimate goal of owning a chain throughout the metropolitan area. This ultimate goal is divided into a series of successive, smaller goals such as opening two stores next year, three more the following year, and so on.

Direction and Evaluation

Goals give direction to our efforts and permit us to evaluate our progress. Through this evaluation of progress, we can detect inefficiencies so that we can determine any corrective action that needs to be taken. Similarly, when we achieve an objective, we know that we have done our job properly and can continue to do it in the same way.

Criteria for Objectives

This same concept is perfectly valid in business, with goals set for the performance of retail salespeople. In order to be effective, however, objectives must meet certain criteria as follows:

- Objectives must be specific so that the person responsible for meeting them will understand clearly what is expected. An objective such as "Take better care of customers" is vague and can be interpreted in a number of ways. The same objective, however, can be translated into more specific terms such as: "Advise every lawn mower buyer of the break-in procedures" or "Offer every customer a credit application."

- Objectives must be measurable. Objectives such as "Make a better selling effort" or "Be sure that customers get the right size" could be achieved with a minimal increase in effort or efficiency. A more useful statement would be "Improve sales by 10%" or "Reduce the rate of returns to 2%."

- Goals must be attainable. There is no sense in setting a goal for a salesperson to increase sales by 25 or 30% if the owners of the store plan no action to increase the flow of traffic through the store. A goal that is beyond the person's capabilities will soon be ignored and therefore will have little impact.

- Objectives must be consistent with the owners' goals. Any objective set for salespeople is simply one segment of the total goal of building sales and profit. There is little point in setting an objective for a person to achieve unless realization of the objective helps the owners realize a greater goal.

- Objectives must be agreed upon with the person responsible for meeting them. Unless the owners can explain the goal to the employee's satisfaction and work with the employee to develop a plan for accomplishing it, the objective will soon be ignored. When the employee's performance is reviewed and compared with the objective, the discussion will focus upon the reality of the initial objective rather than the more important issue of how performance can be improved to achieve it.

- Objectives must be used as a basis for performance review. Employees must realize that they are responsible for meeting the objectives to which they have agreed. They must be advised on a regular basis whether or not they have achieved the objective. Further, any failure to meet the objective must be accompanied by a discussion of proposed corrective action that can be taken so that it can be realized in the future.

* * * * *

1. An objective such as "an improved attitude" would not satisfy the criteria. Why?

   a. It is not consistent with the owners' goals.
   b. It is not measurable.
   c. It is not attainable.

---

   b. It is not measurable.

---

2. Which of the following objectives is measurable?

   a. Suggest related sales.
   b. Increase the average sale to $X.
   c. Encourage merchandise exchanges instead of returns for credit.

---

   b. Increase the average sale to $X.

---

3. If an objective appears unattainable, how will the employee react to it?

   a. Exert an even stronger effort.
   b. Ignore it.

---

   b. Ignore it.

---

4. Objectives must be set by:

   a. the owners
   b. the employees
   c. agreement between owners and employees

---

   c. agreement between owners and employees

---

5. Why must objectives be used for performance review?

   Failure to do so would be interpreted as disregarding the objective.

---

6. If an employee's performance fails to meet an objective, the owners should:

   a. order specific corrective action
   b. let the employee work it out
   c. work with the employee to determine suitable corrective action

---

   c. work with the employee to determine suitable corrective action

---

* * * * *

Joint Effort

A successful program of management by objectives requires a joint effort by owners and employees. Working together, they must arrive at agreeable, realistic solutions for performance improvement. It is not enough to say, "You'll have to work harder next month." It is far more productive to ask the employee, "What can we do so we can get sales up to the objective that we are looking for?"

Authority and Control

Goals must be consistent with the person's authority and responsibility. There is little value in setting objectives with a person if the person has no control or authority.

Retailing Objectives

Frequently, the role of the retail salesperson is minimized. As a result, people often overlook opportunities for setting specific performance objectives. However, there are a number of areas in which objectives can be set for the performance of retail sales personnel.

Measurable Objectives

At first glance, it may be difficult to see how the job of the retail salesperson can be expressed in specific, measurable terms. However, consider the following examples:

- Sales in dollars. The owners can set sales objectives for each retail salesperson based upon expectations of the department in which the person is employed and performance in previous periods.

- Average sale per customer. If the owner expects the salesperson to suggest related sales or to upgrade customer purchases, the average dollar value of each sale becomes a meaningful criterion for evaluating performance.

- Returns as a percentage of sales. There is little value in making a sale if the item is later returned. Frequently, the cause of a return can be the fault of the salesperson. The salesperson fails to give the customer the correct size or suggests the wrong tool for a certain job. The dollar value of returns can be compared with the dollar value of sales and an objective set for performance.

- Time for fulfillment of certain tasks. A salesperson may be responsible for stocking or arranging displays. A specific deadline can be set for completing this task each day. On a longer range basis, salespersons expected to read instructional literature concerning products they sell could have a specific time limit set for completion.

Performance Review

Performance review and comparison with objectives should be as frequent as realistically possible. Shorter review periods are generally more effective since the objective is constantly in front of the employee, convincing the employee of the owners' full intention of attaining it. Short review periods also permit prompt corrective action before a problem becomes too serious or too many dollars are lost through inattention. Similarly, short-term review reinforces employees' efforts for jobs well done. The employee can then continue to apply the same success techniques that were proven effective.

* * * * *

1. The principles of management by objectives can be used to direct the performance of retail salespeople. (TRUE/FALSE)

TRUE

---

2. A retail salesperson has reasonable control over the number of customers who enter the store. (TRUE/FALSE)

FALSE

---

3. A retail salesperson has some control over the average sale per customer. (TRUE/FALSE)

TRUE

---

4. It is probably more realistic to set an objective for:

   a. number of customers served
   b. average sale per customer

---

b. average sale per customer

---

5. Some returns can be caused by salespeople. (TRUE/FALSE)

TRUE

---

6. A salesperson has some control over returns. (TRUE/FALSE)

TRUE

---

7. Which is the better measure of a salesperson's efficiency in controlling returns?

   a. Dollar value of returns.
   b. Returns as a percentage of sales.

---

b. Returns as a percentage of sales.

---

8. How would you set an objective for a retail salesperson to complete study of a sales training manual provided by a supplier?

   a. Instruct the employee to complete it by a specific date.
   b. Instruct the employee to complete it as soon as possible.

---

   a. Instruct the employee to complete it by a specific date.

---

9. Performance reviews should be as (FREQUENT/INFREQUENT) as possible.

   FREQUENT

---

10. Which of the following are advantages of a short review period?

   a. Keeps objective in employee's mind at all times.
   b. Permits corrective action before problems become too serious.
   c. Provides reinforcement of employee's effort when objective is achieved.

   All three answers are correct.

---

* * * * *

MOTIVATION

Historic Viewpoint

Historically, the concept of motivation has evoked heroic images. Fearless leaders whose courage, dedication, rhetoric, and charisma inspired their followers to ignore their own self-doubts and overcome overwhelming odds.

This view of motivation makes great movies but does the concept a disservice. It makes motivation appear as an unattainable goal in itself, one that can't be reached by ordinary mortals. Yet, the motivation of people is an everyday function of small business owners.

Doing What's Best for the Business

In a small business, the task of motivation can be described in simple terms without epic overtones. Motivation in a small business is simply a matter of <u>getting people to do what's best for the business</u>.

Fear

In an earlier, more authoritarian society, the task was relatively simple. Fear was the motivator. The turn of the century coal miner knew that failure to meet his daily quota meant not only the loss of his job but also the loss of his home.

In today's commercial society, fear is no longer a valid motivator. In retailing, the salesperson motivated solely by fear would not be likely to project the image that you want for your business.

To realize the type of performance that you expect from your sales personnel, you want people to be motivated on a higher plane than that of fear.

Motivating the Employee

In a working environment, people are motivated by demonstrating to them how a job well done satisfies their human needs. There are a number of these basic human needs that you can fulfill. By satisfying them, you will be motivating your salespeople to do the job that you expect, the way you expect it.

Security Needs

Security needs are filled through compensation, benefits, job availability, and advancement opportunities. In most retail selling, economic rewards are somewhat limited. The retail salesperson is often employed at a wage at or near the legal minimum. There are exceptions such as appliance sales, automotive sales, and door-to-door sales, where five-figure incomes are commonplace and six-figure incomes can be achieved. Similarly, service personnel in popular restaurants often realize incomes well above the national average. However, in most retail businesses, narrow profit margins restrict the owners' ability to pay attractive wages.

This presents the owner of a small retail establishment with a serious dilemma. The small retailer must compete with more profitable businesses to attract effective personnel. Frequently, the small business owner has higher expectations of salespeople's performance, relying heavily upon personal service as a way of attracting customers. Since small business owners cannot compete effectively in providing economic rewards, they must take full advantage of other motivators to offset the effects of inferior salaries and wages.

Few small businesses can afford retail sales personnel who are simply order-takers. Instead, they must depend upon sales personnel to assist customers, provide personal service, and be courteous and friendly. These services permit the small retailer to compete with the giants.

The small retailer's competitive disadvantage in offering security rewards is not limited to salaries alone. Without the natural chain of command through which the talented and motivated individual can progress, advancement opportunities are limited. To some extent, opportunities for advancement can be made available. Better sales personnel can assume new responsibilities such as assisting with buying, training, and supervising. They can also participate in sales and profit growth and expansion, assuming new and more rewarding responsibilities -- perhaps managing a new branch, location, or department.

Recognition

Beyond the security need, people also need recognition. This social need is a natural desire to be part of the group, to have your efforts recognized by those with whom you come in contact -- customers or fellow employees. In this respect, praise for good performance is even more important than the

reprimand for poor performance. Employees' behavior is often reinforced by the owner's reaction toward it. If you ignore a mistake or an oversight, you reinforce it by your inattention. If you neglect to praise a job well done, the employee may feel that it was unappreciated. Therefore, the employee will not repeat it, particularly if it required any extra effort.

By recognizing good performance when it occurs, you reinforce good behavior so your employee will be more likely to perform well again.

Often, it is the best employee who has doubts about his or her own performance. Having set high personal standards for performance, the employee may often have doubts as to whether or not performance is satisfactory.

Self-Fulfillment

To many people, the ultimate achievement is self-fulfillment. The satisfaction realized from a job well done. The self-fulfillment of the athlete, the entertainer, the poet, or the author is easily recognized. Yet it exists at other levels of endeavor. The teacher is rewarded by the progress of pupils, the accountant is rewarded by the error-free trial balance, and the landscaper is rewarded by the beauty of the plantings. In each of these cases, the person's self-esteem is fulfilled by the knowledge of a job well done.

This same type of self-esteem can be developed within the retail environment so that employees look upon their jobs as something more than "another day, another dollar." Let us take a look at some of the personal achievements that can be realized by a retail salesperson that could fulfill the need for self-esteem.

- A personal daily sales record.
- Leading all other salespeople for a week or a month.
- Selling the "unsellable" customer.
- Discovering a new and effective selling technique.
- Knowing that his or her selling efforts solved a customer's problem.
- Achieving a record of zero customer complaints.

These opportunities for self-esteem are not always obvious, and they must be pointed out to people. Through your recognition of their efforts and their successes, you will be showing them how they can be more appreciative of their own work and find more fulfillment in a job well done.

* * * * *

1. Motivation is a job for professionals, well beyond the ability of the small retailer. (TRUE/FALSE)

FALSE

---

2. In a business environment, motivation can be described as:

   a. delivering inspirational speeches to employees
   b. getting people to do what's best for the business

---

b. getting people to do what's best for the business

---

3. People are motivated only through economic incentives. (TRUE/FALSE)

FALSE

---

4. The small retailer is usually at a disadvantage in motivating people through their security needs. (TRUE/FALSE)

TRUE

---

5. Beyond the security need, people have needs for _____ and _____.

---

recognition
self-fulfillment

---

6. Praising people for a job well-done is motivating people through their need for (RECOGNITION/ SELF-FULFILLMENT).

RECOGNITION

---

7. Explaining to people how they can take pride in their own performance is an example of motivating people through their need for _____.

---

self-fulfillment

---

8. A salesperson's pride in solving a customer's problem is an example of filling the need for _____.

---

self-fulfillment

---

* * * * *

SUPERVISION

Day-to-Day Management

So far, you have seen a number of key elements involved in the job of managing retail salespeople. These include objective-setting, performance review, training, and motivation. Supervision can be regarded as the day-to-day application of these same functions. Performance review by personal observation rather than an analysis of figures, training through immediate corrective suggestions, and motivation through on-the-spot praise and reinforcement for a job well done.

Continuing Awareness

Through your day-to-day supervisory activities, you are keeping salespeople constantly aware of your performance expectations. If you notice a customer being ignored by a salesperson and you fail to comment on it, this may be regarded as approval. On the other hand, you might see an employee sell a sport coat, shirt, tie, and sweater to a customer who originally came in for a pair of slacks. If you fail to praise the salesperson for this job well done, the employee will soon decide the extra effort was worthless.

Observation

Just as you walk through your store each day, you will be making continual observations of your employees' performance. You will notice the rapport they establish with customers; their efforts in keeping displays attractive even after customers have disrupted them; the dispatch with which they prepare invoices and credit approvals; and their general attitude toward customers and fellow employees.

Naturally, there will be many occasions when you will be critical of an employee's performance, and the sooner it is brought to the employee's attention, the better. However, you must always avoid criticizing an employee's performance in front of a customer or in front of other employees.

Talk to Employee Alone

At the first opportunity, talk to the employee alone and remind him or her of how you expect the job to be done. Criticizing an employee in front of a customer will lower the customer's opinion of your employees and, consequently, your store. Critical comments should also be made outside the

range of other employees. Since your criticisms will be accompanied by constructive suggestions for performance improvement, you want to be sure of holding the employee's attention and maintaining a proper attitude so that the employee will be receptive to your advice. Embarrassing the employee in front of others will create a negative attitude that will interfere with understanding and acceptance of your suggestions.

Public Praise

On the other hand, when you praise an employee for a job well done, you want other employees to hear it. This will not only fill the employee's need for recognition, it will remind other employees of your definition of satisfactory performance so that they, too, will try to do their jobs accordingly.

Giving Information

Frequently, you will have to give employees special instructions to carry out certain assignments. Perhaps instructions to rearrange a display, to handle a special situation with a customer, or to assist you in an administrative task. Your instructions should follow guidelines similar to those that you use in establishing performance objectives.

Reasonable, Understandable, Complete

Instructions must be reasonable, understandable, and complete. Mrs. Jones may be dissatisfied with a toaster she bought last week and wish to return it. If you instruct a salesperson to "take care of Mrs. Jones," this tells the employee little or nothing. Should the employee issue a cash refund, give Mrs. Jones another toaster, or return the toaster to the manufacturer for warranty repairs? All these details must be spelled out so that the employee will know exactly what you expect to be done.

* * * * *

1. Supervision is the application of management by objectives, training, and motivation on a day-to-day basis. (TRUE/FALSE)

TRUE

---

2. Supervision can be described as management by:

   a. financial analysis
   b. observation

---

   b. observation

---

3. If you ignore an employee's failure to do a job properly, the employee will regard this as:

   a. a lucky break
   b. a reminder to do better next time
   c. approval, or lack of real concern on your part

---

   c. approval, or lack of real concern on your part

---

4. Praise for an outstanding performance should be:

   a. immediate
   b. postponed until the monthly performance review

---

   a. immediate

---

5. Critical comments should be made:

   a. in front of customers
   b. in front of other employees
   c. privately

---

   c. privately

---

6. Praise should be delivered:

   a. in front of customers
   b. in front of other employees
   c. privately

---

   b. in front of other employees

---

7. Instructions should be reasonable, _____, and _____.

---

   understandable
   complete

---

* * * * *

Restrictions

As a small retailer, you have a relatively limited budget for employees' compensation. Therefore, you must take special pains to make every dollar count. You must try to establish a compensation plan that will reward outstanding performance so that all employees will have an incentive to exert the extra effort required for success. Your compensation plan must be designed to attract competent employees, reward satisfactory performance, and retain qualified personnel.

Easily Understood

The compensation plan must also be easily understood and easily administered. Complex incentives are often self-defeating. The employee who cannot understand the potential reward for superior effort is unlikely to be motivated by it. A compensation plan with unnecessary complexities can be divisive or difficult to administer. For example, plans that give bonuses based upon performance compared with objectives will often result in unnecessary quarreling over the objectives rather than a joint effort in developing suggestions for performance improvement.

Evaluating a Compensation Plan

In evaluating your compensation plan, you must consider the entire package, not simply the weekly salary or hourly wage. Evaluation must also consider other factors such as health insurance plans, life insurance plans, vacation policies, holidays, sick leave, savings plans, pensions, profit-sharing, employee discounts, and opportunities for bonuses or other special incentives.

Performance Rewards

Rewards for outstanding performance can be built into your compensation plan in a number of ways. They can include straight commissions on all sales or commissions based upon profit. Instead of commissions, performance incentives can be built into the plan through occasional bonuses for outstanding performance, salary increases for top producers, or special rewards.

Seniority Benefits

In designing a compensation plan to hold employees, it is often useful to develop it so that there are direct rewards for longevity with satisfactory performance. These rewards could include longer vacation periods for senior employees or progressive increases in the employee's participation in a retirement or profit-sharing program.

Types of Compensation Plans

Most sales compensation plans are based upon salaries, incentives, or a combination of the two. Compensation plans based upon straight salary offer the employee the advantage of security, which can be desirable in attracting new people. A salary is also a predictable expense month to month so that budgeting is simplified. However, salaries continue even in low sales periods when your business can least afford them. Also, they lack the short-term economic incentive that is often necessary to encourage top performance. The prospect of a salary increase a year from now is seldom enough to make an employee work harder today.

Compensation plans based largely upon incentives, such as commissions, offer the advantage of encouraging extra effort on every sale every day. Since these plans usually vary compensation with sales volume, this expense is highest when you can best afford it and lowest when you can least afford it.

However, there are several disadvantages to commissions in retailing. They may prompt salespeople to use unnecessarily high-pressure tactics that could damage your store's reputation. They can lead to disputes among employees over credit for sales. They can fail to attract competent employees who may feel that their need for the security of a salary outweighs the earnings potential of a commission plan.

In general, the most satisfactory approach is a combination plan that gives the employee a guaranteed income plus some economic incentive for top performance through commissions, overrides, or bonuses.

* * * * *

1. A compensation plan must _____ competent employees.

---

attract

---

2. A compensation plan must _____ satisfactory performance.

---

reward

---

3. A compensation plan must help to _____ qualified personnel.

---

retain

---

4. A satisfactory compensation plan may be complex. (TRUE/FALSE)

FALSE

---

5. Name four factors other than earnings that should be considered in evaluating a compensation plan:

   1.
   2.
   3.
   4.

---

health insurance, life insurance, vacations, holidays, sick leave, bonuses, savings plans, pensions, profit-sharing, employee discounts
(ANY FOUR OF THE ABOVE)

---

6. Usually, the most suitable compensation plans are:

    a. straight salary
    b. straight commissions
    c. a combination of salaries and commissions

---

    c. a combination of salaries and commissions

---

* * * * *

SUMMARY

In hiring and developing salespeople, the small retailer is faced with a delicate, difficult task. Forced to compete with the giants, the small retailer does not have the compensation budget to attract and hold people with economic rewards. Simultaneously, the small retailer expects more of salespeople than does the large department store or the discount house.

The small retailer expects salespeople to provide customer service so that customer loyalty is retained and word-of-mouth advertising will build the customer base. The small retailer expects salespeople to be knowledgeable about their products and provide advice to customers. And, most of all, the small retailer expects salespeople to sell.

The job is not easy and can only be done through your own efforts. Despite the many demands upon your time, you must find time to devote to employee selection and development. This task involves attention to the following:

- Hiring new employees so that problems are avoided before they occur.
- Developing employees into sales-oriented top producers, not just order-takers.
- Establishing a system of objectives so that problems are quickly detected and corrected before lost sales and excessive costs get out of hand.
- Motivating employees to do a better job and realize a sense of self-fulfillment for a job well done.
- Supervising employees from day to day so that rewards and reinforcement are almost immediate.
- Developing a compensation plan that will be affordable but competitive in attracting qualified people, rewarding outstanding performance, and retaining successful personnel.

If you apply the techniques you have learned in this booklet to your own business, you will be able to hire better people, reduce employee problems, and improve the productivity of your personnel.

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